

U.S. CUSTOMS AND BORDER PROTECTION

Merchandise Processing Fee (MPF) Analysis

**Office of the Chief Financial Officer
April 2016**



**U.S. Customs and
Border Protection**

Background

Overview of the Merchandise Processing Fee (MPF)

- **MPF is intended to offset the salaries and other expenses incurred by CBP** in the processing of imports and the release of merchandise into the United States
- Commodities are **exempt from MPF if claimed under certain existing Free Trade Agreements or Preferential Trade Agreements**
- Since 1986, the MPF has been an ad valorem rate, with a minimum and maximum, based on the value of the imported merchandise

Entry Type	Current MPF Categories and Schedule of Fees
Informal Entries (Merchandise with a value <\$2,500)	\$2 automated
	\$6 manual (non-Customs prepared)
	\$9 manual (Customs prepared)
Formal Entries (Merchandise with a value > \$2,500; manual surcharge of \$3 can be imposed)	\$25 minimum fee (entries valued below \$7,200)
	0.3464% ad valorem rate (entries valued between \$7,200 - \$140,000)
	\$485 maximum fee (entries valued over \$140,000)
MPF Surcharges	Air Consignment valued at \$2,500 or less: \$1.00 Small User Fee Airport shipments valued at \$2,500 or less: Must pay CBP an amount equal to the reimbursement (including overtime) which the facility is required to make during the fiscal year

Purpose of MPF Alternatives Analysis

- In support of the Administration's priorities and the Trans-Pacific Partnership (TPP) agreement, U.S Customs and Border Protection (CBP) **conducted an analysis to develop a new structure for the MPF**
- Per *Article-2.14:Administrative Fees and Formalities, Paragraph 4 of the TPP*, **“No Parties shall levy fees and charges on or in connection with importation or exportation on an *ad valorem* basis”** – to include the United States' MPF
- The change to the MPF structure will apply to all imports subject to the fee, and it will not change existing U.S. free trade agreements' preferential treatment for MPF
- **CBP's Office of the Chief Financial Officer (OCFO) led the initiative** to include coordinating requirements and feedback among other government agencies



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Goals of the MPF Alternatives Analysis

CBP has **three (3) main goals for developing a new MPF structure**, which serve as guidelines for the analysis:

1. The amount of MPF assessed under the current fee structure is **similar to the amount of MPF to be assessed under a new fee structure** on an annual basis
2. The new MPF structure is **feasible for importers and the trade community to implement** and understand
3. The new MPF structure is **feasible for CBP to implement** and manage

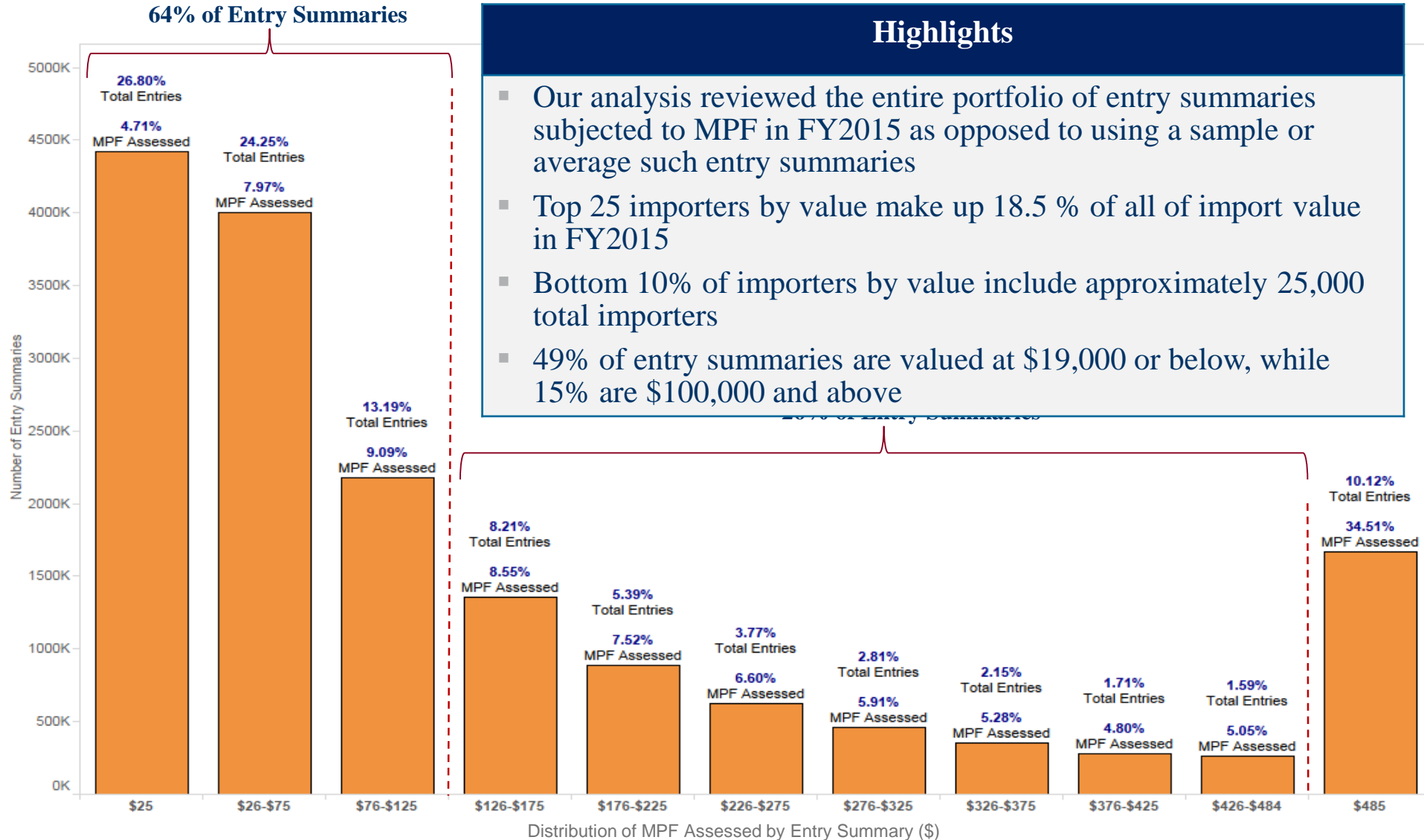


Approach to the MPF Alternatives Analysis

- CBP analyzed multiple fiscal years of import and MPF data to develop a **baseline of import activity**
- CBP conducted both **quantitative and qualitative analyses** on variables to understand the drivers of reported MPF
- CBP analyzed FY2014 and FY2015 formal entry data with a combined total import value of \$2.5 trillion, 60 million entry summaries, and 345 million lines of imports
- CBP developed a new MPF structure based on existing trade data, holding trade environmental factors constant (e.g., modifications to global supply chains, legislative changes, and impacts to the economy)



Distribution of Reported MPF by Entry Summary – FY2015



Proposed New MPF Structure

- CBP developed **over 25 different scenarios** to determine which minimizes the impact to the trade community and is feasible to implement/manage
- The proposed new MPF structure is a **four-tier structure** based on the value of goods subjected to MPF
- The United States has up to **three (3) years from the TPP Agreement's entry into force to implement the MPF structure**

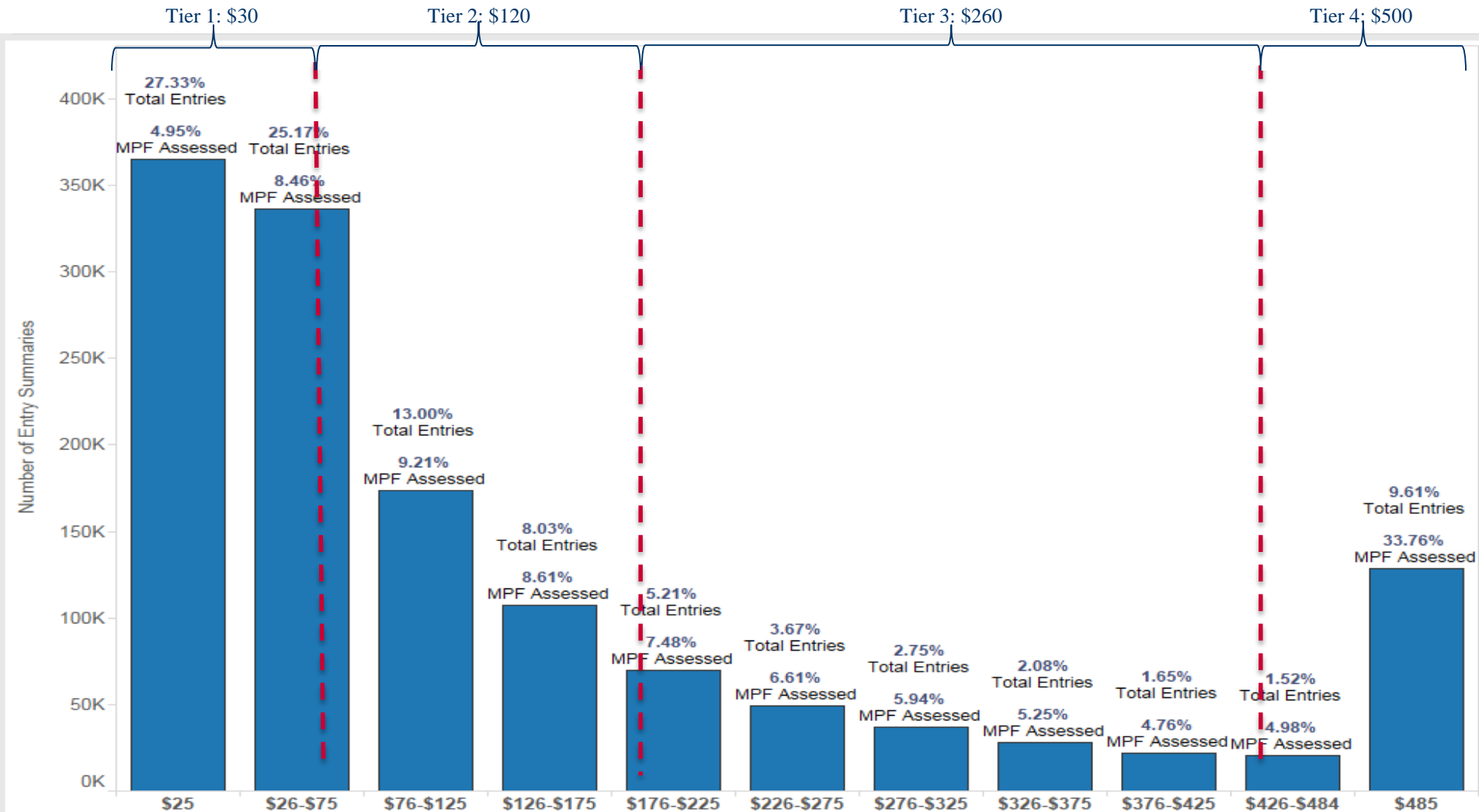
MPF TIER DOLLAR RATE	VALUE RANGE
\$30	Less than or equal to \$20,000
\$120	\$20,001 - \$55,000
\$260	\$55,001 - \$130,000
\$500	Greater than \$130,000



Example: Impact to a Consumer Products & Mass Merchandising IOR

*Distribution of Assessed MPF by Entry Summary in FY2015 vs. New MPF Structure**

Blue bars represent the sample IOR's FY2015 MPF profile. The overlaid tiers and dotted lines illustrate how the IOR's MPF assessments may change under the proposed new MPF structure.



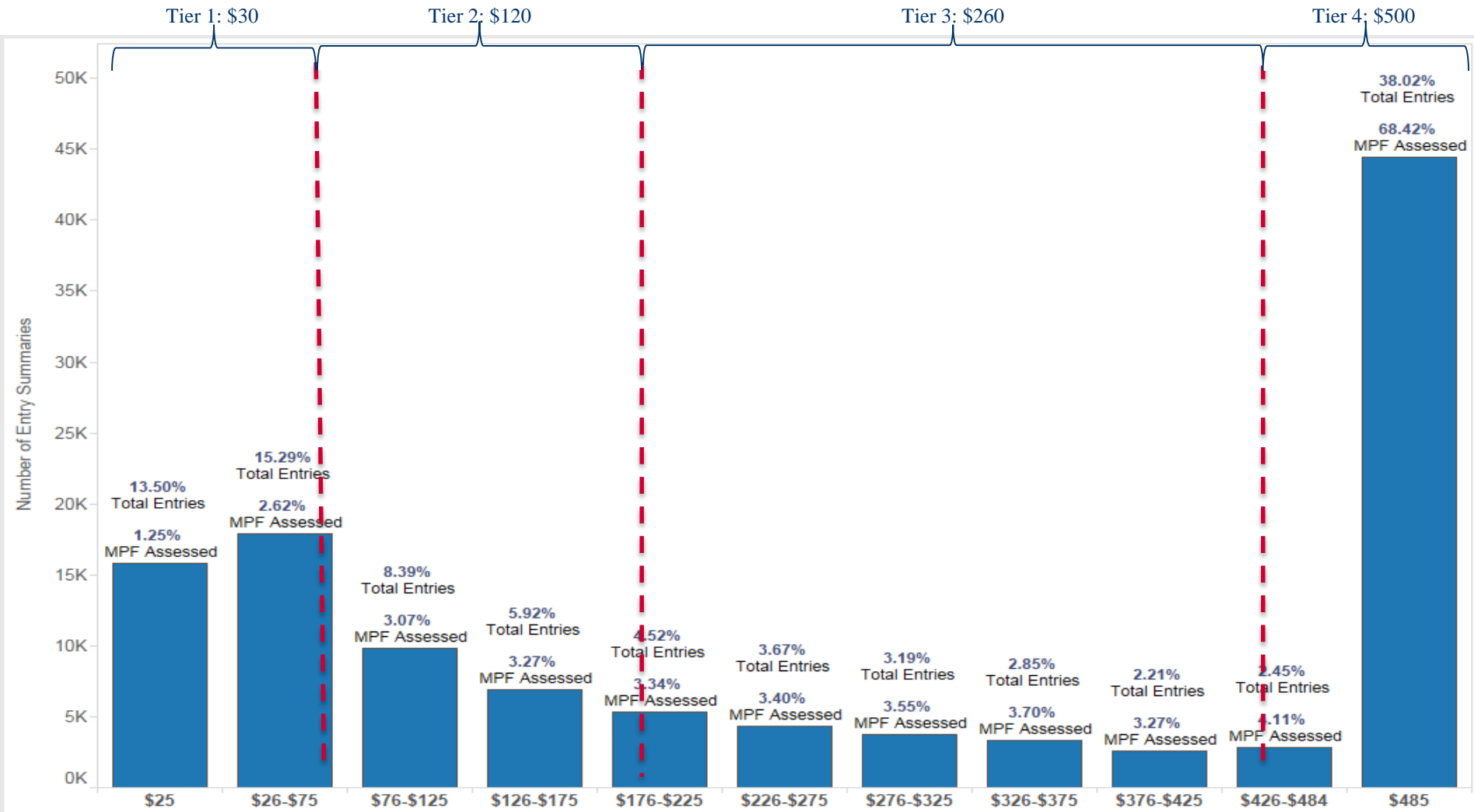
*Assuming no change in import behaviors

Distribution of MPF Assessed by Entry Summary (\$)

Example: Impact to an Electronics IOR

*Distribution of Assessed MPF by Entry Summary in FY2015 vs. New MPF Structure**

Blue bars represent the sample IOR's FY2015 MPF profile. The overlaid tiers and dotted lines illustrate how the IOR's MPF assessments may change under the proposed new MPF structure.



*Assuming no change in import behaviors

Distribution of MPF Assessed by Entry Summary (\$)

Frequently Asked Questions

Q: Was the restructured fee designed to increase revenue for CBP?

A: The fee was structured in a manner to minimize the impact to importers. The fee was not structured to increase the revenue for CBP.

Q: How does the proposed new MPF structure impact Foreign Trade Zones (FTZs)?

A: The new structure does not alter how importers can use FTZs or file FTZ entries. Our analysis shows that the impact to FTZ entries is minimal in the aggregate as less than 2% of all FTZ entries are subjected to MPF under our analysis.

Q: How does the proposed new MPF structure affect existing free trade agreements (FTAs)?

A: The new structure will apply to all entry summaries subjected to MPF. However, it does not change any MPF exemptions due to preferential treatment under existing FTAs. If an importer files an entry under TPP, those goods would be subjected to MPF under this proposal. If an importer files an entry under an existing FTA that provides for MPF exemptions, those goods would be MPF-exempt.

Q: How will the Fixing America's Surface Transportation (FAST) Act change the proposed new MPF structure?

A: CBP is working with the Department of the Treasury to determine the implications of the FAST Act on the new MPF structure.



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Next Steps

- CBP and the U.S. Trade Representative (USTR) will continue to meet with the trade community to obtain feedback on the proposed structure
- CBP will work with the trade community as part of its efforts to best plan an implementation strategy for the proposed new MPF structure
- CBP is available to meet with importers to discuss their potential impacts under the proposed new MPF structure

